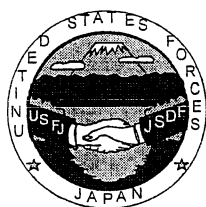


1 January 2003



Management

**MANAGEMENT OF GOVERNMENT OF JAPAN (GOJ)  
LABOR COST SHARING (LCS) RESOURCES**

COMPLIANCE WITH THIS PUBLICATION IS MANDATORY

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OPR: USFJ/J14 (Mr. Markham)	Certified by: USFJ/J1 (COL Mary Joyce Mason)
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This publication establishes United States Forces, Japan (USFJ) policy on distributing and managing GOJ LCS resources.

**SUMMARY OF REVISIONS**

Revises references to payments for IHA employee costs to reflect changes in payment and reporting procedures (Paragraphs 1.2.2. and 4.). Changes reporting requirements and defines format for BWO and NAFI funds utilization report as established in 2001 Special Measures Agreement (SMA), and renames reporting centers as NAFI (Paragraphs 1.2.4., 1.2.16., 4.2., and 5.4. and Attachments 5 and 6). Clarifies the definition of the IHA Cap (Paragraph 1.2.7.). Establishes a definition of "internal realignment" (Paragraph 1.2.14.). Updates references to the current SMA (Paragraph 1.2.21., 1.2.22., 4.1.5.). Emphasizes need for early notification to USFJ/J14 of pending mission/function transfers (Paragraph 2.3.1.) and mission/function reductions, elimination, or change (Paragraph 2.4.1.). Reiterates from paragraph 2.1.1. transferred JN spaces will be funded (Paragraph 2.4.2.). Establishes components' current funded space allocations as the baseline for redistribution of JN spaces released by mission/function reduction, elimination, or change (Paragraph 2.4.2.). Extends to mission/function reduction, elimination or change the same 180 day time limitation for LCS resource retention now placed on transfer of mission/function in Paragraph 2.3.2.1., including consideration for exceptions (Paragraph 2.4.3.). Clarifies amount set aside in LCS distribution for Retirement/Termination Allowance is projected amount (Paragraph 3.2.2.) and actual amount in reconciliation (Paragraph 3.3.2.). Clarifies reconciliation will provide components with the lower of their total labor costs or their allocated share of LCS funds (Paragraph 3.5.1.). Explains the IHA Cap more accurately and eliminates consideration of the IHA Cap as a separate LCS fund (Paragraph 3.6.). Changes the suspense date for NAFI Reporting Center annual data submission to HQ USFJ/J14 from 1 July to 1 September to allow more time for data collection/preparation and better coincide with DFAA reporting timeframe (Paragraph 4.2.1.). Changes SMA NAFI report format as established by 2001 SMA (Attachment 6). Modifies JN Employment Projection Report requirements to reflect new negotiated information, timeframe and follow-on report in October (Paragraph 5.1.1.1. and Attachment 7).

1. **SCOPE.** Applicable to all U.S. agencies and instrumentalities operating within the USFJ area of responsibility employing appropriated and non-appropriated fund Japanese National (JN) employees for which LCS resources are provided.

1.1. **General.**

1.1.1. GOJ LCS resources include JN spaces and associated funding. Commander, US Pacific Command (COMUSPACOM) designated the Commander, U.S. Forces Japan (COMUSJAPAN), as the responsible authority to manage these resources.

1.1.2. The Joint Labor Resource Committee (JLRC) provides advice to COMUSJAPAN, through HQ, USFJ/J1, on LCS matters. The JLRC is comprised of the USFJ/J1 (Chairman), USFJ/J14 (Vice Chairman), and one representative each as designated by the commanders of U.S. Army, Japan; U.S. Naval Forces, Japan; Fifth Air Force; and U.S. Marine Forces, Japan.

1.1.3. HQ USFJ allocates LCS resources to the service components. This instruction contains USFJ policy and procedures on LCS resource management.

1.2. **Definitions.**

1.2.1. **2001 Special Measures Agreement (SMA).** The agreement between the U.S. Government (USG) and the GOJ which provides for host nation LCS support from 1 April 2001 through 31 March 2006.

1.2.2. **Average Annual Strength.** Average on-board strength based on averaging the month-end strengths reported by the GOJ Defense Facilities Administration Agency (DFAA) for a Japanese Fiscal Year (JFY).

1.2.3. **Basic Wage Offset (BWO) Funds.** NAFI funds which match payments by the GOJ for specific labor costs made to Indirect Hire Agreement (IHA) employees. BWO does not include all labor cost categories for which the GOJ makes payments. Instead, by definition, BWO includes only those labor cost categories listed in Attachment 4.

1.2.4. **BWO Expenditure Categories.** The specific categories in which NAFIs must spend BWO funds.

1.2.5. **NAFI Reporting Centers.** Organizations responsible for submitting annual SMA Non-Appropriated Fund Instrumentality (NAFI) reports on the utilization of BWO funds and other NAFI funds.

1.2.6. **Externally Generated Reduction, Elimination, or Change.** Any reduction, elimination, relocation, or deactivation of any mission, function, or unit, or any other change

directed by an authority outside of Japan which results in a reduction in JN space requirements.

1.2.7. **GOJ-Funded Spaces.** The number of JN spaces for which GOJ LCS funding has been provided in a given JFY. The maximum number has been set at 23,055 under the 2001 Special Measures Agreement.

1.2.8. **Indirect Hire Agreement (IHA) Cap.** The maximum number of IHA spaces for which the GOJ will provide funding. The cap is currently set by the GOJ at 5,267 IHA spaces.

1.2.9. **Japanese Fiscal Year (JFY).** The period from 1 April of a calendar year to 31 March of the following calendar year.

1.2.10. **Japanese National (JN) Space.** A unit of measure indicating one JN position, which may or may not be occupied.

1.2.11. **Labor Cost Sharing Executive Agent.** A service component which, by written agreement, performs LCS administrative and control functions relative to GOJ LCS funding and GOJ-funded spaces for another organization which has a different chain of command than the service component providing the services.

1.2.12. **LCS Funding.** Funding provided by the GOJ to pay USFJ JN labor costs. For the purpose of this instruction, LCS funding pertains to GOJ funding provided under the current Special Measures Agreement. It does not apply to labor costs assumed by the GOJ under two earlier agreements which are still in force.

1.2.13. **Mission/Function Transfer.** The transfer of all functions, activities, and resources associated with a specific mission or function from one component in Japan to another component in Japan. This includes transfers to and from components which are acting as executive agents for non-component organizations.

1.2.14. **Mission/Function Elimination or Reduction.** The removal of all or a portion of a mission or function from an organization without replacement or transfer within Japan. This includes any changes directed from outside Japan which result in reductions of JN space requirements.

1.2.15. **Mission/Function Internal Realignment.** The transfer of JN spaces within a component in Japan as a result of internal, component-initiated management reviews, studies, and/or decisions initiated by a Japan-based commander.

1.2.16. **Mission/Function Partial Transfer.** The transfer of a portion or portions of a mission or function from one component in Japan to another component in Japan. The remaining portion of the mission or function may either continue to be performed by the losing component or may be eliminated and no longer performed by the losing component.

or any other component in Japan. This includes partial transfers to and from components which are acting as executive agents for non-component organizations.

1.2.17. **SMA NAFI Report.** An annual report to GOJ compiled by HQ USFJ/J14 from individual reports submitted by the NAFI reporting centers outlining the expenditure of BWO and other funds received by the NAFIs during the preceding JFY. Also referred to as "Report of Balance Concerning Article XV Organizations."

1.2.18. **Reconciliation.** The process used to adjust for differences between LCS funding allocated to each component and actual usage. The process first reconciles Retirement/Termination Allowance allocations and usage, then reconciles the remaining LCS allocations and expenditures.

1.2.19. **Retirement/Termination Allowance.** An allowance paid to JN employees who meet eligibility requirements when ending USFJ employment. It is paid for such terminations as resignation, reduction-in-force, disability, advanced age separation at age 60, special separation at age 59, separation at age 55, and death.

1.2.20. **Service Component.** For purposes of LCS resource administration, the service components are U.S. Army, Japan (USARJ), Commander, U.S. Naval Forces, Japan (CNFJ), Fifth Air Force (5AF), and Commander, U.S. Marine Forces, Japan (CMFJ).

1.2.21. **Shortfall.** That portion of labor costs which exceeds the amount of GOJ LCS funding and is borne by U.S. appropriated or nonappropriated funds.

1.2.22. **Upper Limit.** The maximum number of JN spaces for which the GOJ will provide funding under the 2001 SMA (23,055).

## 2. JN SPACE DISTRIBUTION

### 2.1. General:

2.1.1. When changes in missions, organizations, and functions result in JN space transfers, the spaces will be funded unless clear documentation is provided to USFJ in advance of setting up a new mission, organization or function using unfunded spaces.

2.1.2. All JN spaces and LCS funding transfers will be effective on the first day of the month.

2.1.3. To the extent possible, transferring LCS spaces will be accomplished by mutual agreement of the losing and gaining components.

2.1.4. Absent agreement between the losing and gaining components, COMUSJAPAN will decide and make changes in LCS space allocations.

2.1.5. When JN space transfers occur, HQ USFJ/J14 will transfer associated GOJ LCS funding in accordance with the formula at Attachment 1. HQ USFJ/J14 will advise service components of revised LCS funding allocations accordingly.

## **2.2. JN Space Allocation.**

2.2.1. Under the terms of the 2001 SMA, if USFJ employs below its GOJ-funded level, the number of GOJ-funded spaces will be reduced. Within USFJ, a component which employs below its funded level will have its GOJ-funded spaces reduced using the formula contained in the 2001 SMA. A component which loses fair-share percentage in this way may buy back to its JFY 95 fair-share percentage (plus or minus intervening space transfers) by hiring above its funded level. When this occurs, the results of application of the SMA formula will apply only to those components which lost percentage share until such time as the percentage shares of all components are restored.

2.2.1.1. Components' allocations will be adjusted during the JFY to reflect any JN spaces transferred between components.

## **2.3. Mission/Function Transfer Among Components.**

2.3.1. At the first knowledge of a pending transfer of mission or function, the losing component will immediately send a report to HQ USFJ/J14, providing all available pertinent information regarding the transfer such as description, scope, time frame, losing and gaining service or activity, etc., and identify all JN spaces associated with the transferring mission/function. Reports will include substantiating documentation including directives or instructions initiating the transfer, the number of JN spaces associated with the transfer, and documentation showing LCS resources authorized, filled and vacant, before the transfer became known.

2.3.2. All JN spaces and funding identified with the transferring mission/function will transfer to the gaining component, unless otherwise agreed between the losing and gaining components and with HQ USFJ concurrence.

2.3.2.1. If employees within the transferring mission/function elect not to transfer, and placement efforts are unsuccessful by the effective date of the transfer of the mission/function, LCS funding for such employees will be retained by the losing component for a period not to exceed 180 days from the effective date of the transfer of the mission/function. LCS funds will transfer to the gaining component when employees are placed or after 180 days, whichever occurs first. Exceptions to the transfer of resources after 180 days will be considered on a case-by-case basis. Requests should be submitted to HQ USFJ/J14.

2.3.3. The losing component will initiate the transfer action by sending a memorandum to HQ USFJ/J14 identifying the number and types of JN spaces transferring, with information copies to the other components.

2.3.4. The gaining component will document acceptance of the transfer by sending a memorandum to HQ USFJ/J14 with information copies to the other components.

2.3.5. HQ USFJ/J14 will compute the amount of LCS funding associated with the transferring JN spaces according to the formula at Attachment 1.

2.3.6. Losing and gaining components will provide one copy of all subsequent transaction documents (e.g., orders, higher headquarters instructions, etc.) to HQ USFJ/J14.

2.3.7. If agreement cannot be reached between the losing and gaining components regarding the number of JN spaces to transfer, each component will present its position on the issue in writing to HQ USFJ/J14. COMUSJAPAN will decide and reallocate the LCS resources accordingly.

#### **2.4. Externally Generated Mission/Function Reduction, Elimination or Change.**

2.4.1. At the first knowledge of a reduction, elimination, relocation, or deactivation of any mission, function, or unit or other change directed by any military or civilian authority outside of Japan which results in a reduction of JN space requirements, the losing component will immediately provide an initial report to HQ USFJ/J14 containing available pertinent information. Include such information as description, scope, time frame, losing organization, and any other pertinent factors. The report will also identify all JN spaces associated with the mission/function to be reduced, eliminated or changed. Reports will include substantiating documentation including directives or instructions initiating the reduction, elimination or change, and documentation showing LCS resources authorized, filled and vacant, before the reduction, elimination or change became known. More detailed reports will be provided to USFJ/J14 as further information becomes available.

2.4.2. All JN spaces associated with the mission/function being reduced, eliminated or changed will be considered funded and redistributed by COMUSJAPAN among the components based on the current funded space allocations. The number of JN spaces to be redistributed will be based on the number of JN spaces for the activity when the reduction, elimination or change was first decided.

2.4.3. If placement efforts for employees associated with the mission/function being reduced, eliminated or changed are unsuccessful by the effective date of the reduction, elimination or change, LCS funding for such remaining employees will be retained by the losing component for a period not to exceed 360 days from the effective date of the

reduction, elimination or change of the mission/function; unless a shorter timeframe is imposed within a component. JN spaces and associated LCS funds will be redistributed among all components as affected employees are placed or after 360 days, whichever occurs first. Exceptions to the transfer of resources after 360 days will be considered on a case-by-case basis. Requests should be submitted to HQ USFJ/J14.

2.4.4. The losing component will initiate the transfer action by sending a memorandum to HQ USFJ/J14 identifying the number and types of JN spaces transferred, with information copies to the other components.

2.4.5. HQ USFJ/J14 will compute the amount of LCS funds associated with the JN spaces according to the formula at Attachment 1.

2.5. **Component Commanders' Responsibility.** Component commanders are responsible for effectively managing allocated resources, internally realigning missions or functions, and prioritizing resources to most effectively accomplish their missions.

### 3. **LCS FUNDING DISTRIBUTION**

#### 3.1. **General.**

3.1.1. COMUSPACOM has designated COMUSJAPAN as the responsible authority to manage the LCS program.

3.1.2. Upon receipt of the LCS budget from the GOJ, HQ USFJ/J14 makes further distribution to the components.

3.1.3. In making computations to determine the percentage shares of the components, all computations will be accomplished to 15 significant digits.

#### 3.2. **Distribution Methodology.**

3.2.1. Annually, HQ USFJ/J14 will distribute GOJ LCS funding to the components based on funding level shares (para 2.2.1.), as adjusted by subsequent transfer of spaces among the components, and the average workforce costs of the components based on cost data reported by DFAA, after reconciliation between DFAA and all components.

3.2.1.1. In computing average workforce costs for the previous JFY, the impact of overtime costs will be adjusted so as not to exceed a historical overtime cost average for each component. The historical average was derived from average overtime costs for JFY 94, 95 and 96, as adjusted by the annual wage revision.

3.2.2. An amount sufficient to cover projected Retirement/Termination Allowance payments will first be set aside. The remaining funding will be distributed among the components using the formula at Attachment 2.

3.2.3. The LCS funding set aside for Retirement/Termination Allowance payments will be in amounts projected by DFAA.

3.2.4. In the event a DFAA projection for Retirement/Termination Allowance costs is not available, HQ USFJ/J14 will project the costs based on component input.

### **3.3. Reconciliation of Projected Retirement/Termination Allowance Costs.**

3.3.1. It is probable that projected Retirement/Termination Allowance costs will not exactly match actual costs at JFY year-end. If so, a reconciliation between projected and actual Retirement/Termination Allowance costs will be done by HQ USFJ/J14.

3.3.2. At the end of each JFY, HQ USFJ/J14 will obtain from DFAA a report of actual Retirement/Termination Allowance expenditures. HQ USFJ/J14 will re-compute the LCS funding allocation based on these actual expenditures, and advise the components of their final revised allocations.

### **3.4. Remaining LCS Funding Allocations.**

3.4.1. HQ USFJ/J14 will allocate the remaining LCS funding to the components effective 1 April each year after setting aside projected Retirement/Termination Allowance costs. The allocation will be made using the methodology at Attachment 2.

3.4.2. Component allocations will be revised when JN spaces transfer between the components. All JN spaces transferred between components will be funded spaces unless clear documentation is provided to USFJ in advance of setting up a new mission, organization or function using unfunded spaces.

3.4.3. Component allocations will be revised by HQ USFJ/J14 if GOJ LCS funding is revised during the JFY.

### **3.5. Remaining LCS Funding Reconciliation.**

3.5.1. Due to the DFAA method of paying labor costs, one or more components may utilize more than their allocated share of LCS funding during the JFY, resulting in the other component(s) receiving less than their allocated share. As a result, a reconciliation is done at JFY year-end to return the components to the lower of their allocated shares or total labor costs.



3.5.2. After receipt of DFAA year-end expenditure reports and reconciliation between DFAA and all components, HQ USFJ/J14 will compute and advise the components of the amount of reconciliation required among the components.

3.5.3. If a component creates surplus funding by not hiring to its funded level, the excess funding will be used to offset any shortfalls of the other components in the reconciliation process.

3.5.4. Reconciliation will be completed in yen with amounts owed or due converted to dollars using the average daily yen rate for the month of April. The average daily yen rate will be obtained from HQ USFJ/J026.

3.5.5. Components owing money as a result of the reconciliation will make payment within 30 days of notice by HQ USFJ/J14.

### **3.6. IHA Cap.**

3.6.1. The IHA cap places a limit on the total amount of GOJ LCS funds to be spent for IHA labor costs. The monetary amount is determined by DFAA based upon the labor costs for 5,267 funded IHA spaces and is informed by DFAA in conjunction with the total LCS funding each JFY.

3.6.2. USFJ will provide for components' information a general apportionment of the cap amount each year based on the components' portions of the 5,267 funded IHA spaces and the components' average IHA employee cost for the previous JFY (Attachment 3). Components may, if desired, use the apportionment data to conduct an internal reconciliation between IHA and MLC employee costs.

## **4. BASIC WAGE OFFSET (BWO).**

### **4.1. General.**

4.1.1. The GOJ makes payments for more than 30 IHA employment cost elements. Of these, only those cost elements at Attachment 4 are associated with BWO. Each year, NAFIs match with NAFL funds the GOJ expenditures in the BWO cost elements (Attachment 4). These matching funds are BWO funds.

4.1.2. NAFIs must spend BWO funds in one or more of the 12 categories shown at Attachment 6. As such, the funds are conditional, requiring special treatment to maintain accountability. The most appropriate way to maintain accountability is through liability accounts. Under this method, the amount of liability is reduced as funds are spent in the 12 approved categories. HQ USFJ endorses this method of accounting for BWO funds.

4.1.3. At the discretion of commanders, and within the 12 approved categories, BWO funds may be spent by and for the NAFIs from which the funds came, or by and for other

nonappropriated fund organizations. BWO funds will not be placed in appropriated fund accounts, or be used to support appropriated fund organizations.

4.1.4. By agreement between the two governments, profits resulting from GOJ labor cost sharing support to NAFIs will remain in Japan for the benefit of the USFJ community. In order to avoid excessive NAFI profits, which could leave Japan in violation of the country-to-country agreement, not more than 25 percent of BWO funds may be spent by a NAFI within a JFY in the Unfunded Labor category (Attachment 6).

4.1.5. Under the 2001 SMA, HQ USFJ is required to submit annual reports to DFAA on NAFI finances, including the utilization of BWO funds. This report is known as the "Report of Balance Concerning Article XV Organizations" or "SMA NAFI Report."

#### 4.2. Procedures.

4.2.1. NAFI Reporting Centers shown at Attachment 5 will submit annual reports to HQ USFJ/J14 by 1 September of each year using the format shown and described at Attachment 6. Reports will include BWO funds, and other funds received/expended during the previous JFY as explained in the narrative description.

4.2.1.1. Since the BWO funds are actually calculated by the NAFIs the month following the month the GOJ spent the money, the period 1 May through 30 April will be used to show payments made by the GOJ during the JFY.

4.2.1.2. Other funds received should be reported as described in the narrative description.

4.2.1.3. For expenditures, NAFI Reporting Centers should report directly in the months in which expenditures occurred during the period 1 April through 31 March.

4.2.2. SMA NAFI reports will be in Japanese yen, and include the following information:

4.2.2.1. The amount of yen paid by the GOJ. Include only GOJ expenditures for the compensation elements shown at Attachment 4.

4.2.2.2. Categorize expenditures in one or more of the 12 categories shown at Attachment 6.

4.2.2.3. Provide sufficient specific examples of expenditures to total 75% or more of the overall BWO for the JFY as explained in Attachment 6. This information will be used in discussions with the GOJ on the contents of the SMA NAFI Report.

## 5. REPORTS.

### 5.1. Projected JN Employment Levels.

5.1.1. In order to provide DFAA with timely information for use in formulating and presenting the labor budget, USFJ components will project JN employment levels for the next JFY and provide the information reflected in the report format at Attachment 7.

5.1.1.1. Submit projection reports to HQ USFJ/J14 by 1 April of the year preceding the next JFY. For example, projected employment for JFY 04 should be submitted by 1 April 2003. Submit updated projection reports to HQ USFJ/J14 by 1 October of the same year.

### 5.2. JN Space Allocations.

5.2.1. HQ USFJ/J14 will advise service components of revised JN space allocations as changes occur.

4 will report to the service components each Termination Allowance costs to be incurred paragraph 3.2.3. above. If projected costs are not the projected costs as described in paragraph

nts of their LCS funding allocations each year n 3.4.

provide copies of DFAA reports relative to mailing each component's expenditures of LCS , and Retirement/Termination Allowance

of revisions to allocations and/or any JFY year-end.

### XV Organizations (SMA NAFI Report).

I NAFI reporting centers (Attachment 5) will other funds received and expended during the

ed in paragraph 4.2.

### 5.3. LCS Funding Allocations.

5.3.1. Upon receipt from DFAA, HQ USFJ/J14 year the projected total amount of Retirement/ during the upcoming JFY as outlined in paragraph provided by DFAA, HQ USFJ/J14 will compute 3.2.4. above.

5.3.2. HQ USFJ/J14 will advise the component using the methodology described in paragraph

5.3.3. HQ USFJ/J14 will, throughout the JFY, GOJ LCS, including JFY year-end reports deta funding, expenditures exceeding LCS funding expenditures.

5.3.4. HQ USFJ/J14 will advise components o reconciliation required among the services at

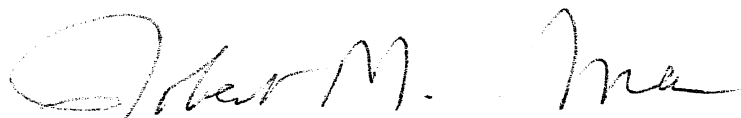
### 5.4. Report of Balance Concerning Article

5.4.1. By 1 September each year, designated submit to HQ USFJ/J14 a report of BWO and previous JFY as outlined in Attachment 6.

5.4.1.1. Reports will be in the format describe

6. References:

- 6.1. Special Order M-049, HQ USFJ, 19 September 1997, subject: Establishment of United States Forces, Japan, Joint Labor Resource Committee.
- 6.2. USCINCPAC Instruction 12200.3F, 14 August 1998, subject: Personnel Administration for U.S. Forces Foreign National (FN) Civilian Employees in U.S. Pacific Command (USPACOM) Foreign Areas.
- 6.3. Message, USCINCPAC, 261030Z Feb 94, subject: USCINCPAC Requirements Review Team (RRT) for Japanese Labor Cost Sharing and Facilities Improvement Program.
- 6.4. Memorandum, COMUSJAPAN, 27 May 1997, subject: Refinement in Distribution of Labor Cost Sharing (LCS) Funds.



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Attachments:

1. LCS Funding Distribution Formula
2. LCS Funding Transfer Formula
3. IHA Cap Apportionment
4. BWO Payment Categories
5. NAFI Reporting Centers
6. SMA NAFI Report Description/Format
7. USFJ Projected Employment Report

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ATTACHMENT 1

\*\*\*\*\*SAMPLE\*\*\*\*\*

	A	B	C	D	E	F	G	H	I	J
1	LCS FUND TRANSFER FORMULA									
2	From _____ To _____ Effective _____									
3										
4										
5		(# of positions transferred from _____ to _____)								
6										
7		(Losing service's average monthly wage for type space transferring (MLC, MC, IHA), in ¥en)								
8										
9		(A5 x A7, in ¥en)								
10										
11		(# of months remaining in JFY from effective date of transfer)								
12										
13		(A9 x A11 = LCS Funds to transfer, in ¥en)								

## ATTACHMENT 2

**LABOR COST SHARING FUNDING DISTRIBUTION FORMULA**

There are three employment systems: The Master Labor Contract (MLC), the Indirect Hire Agreement (IHA), and the Mariners' Contract (MC). The distribution of LCS funding is accomplished according to the following formula.

- a. DETERMINE COMPONENT AVERAGE ANNUAL EMPLOYEE COSTS. For each component, the last JFY employment costs in each employment system, minus retirement costs for each employment system, divided by the average strength of each employment system, equals the average annual employee costs of each employment system.
- b. DETERMINE COMPONENT AVERAGE MONTHLY EMPLOYEE COSTS. For each component, the average annual employee costs of each employment system, divided by 12, equals the average monthly employment costs of each employment system.
- c. DETERMINE COMPONENT FUNDED SPACES BY EMPLOYMENT SYSTEM. For each employment system, the average annual strength of the employment system, divided by the component's total average strength of all employment systems, multiplied by the component's total number of funded spaces, equals the component's funded spaces by employment system.
- d. DETERMINE COMPONENT AVERAGE MONTHLY EMPLOYEE COSTS BY EMPLOYMENT SYSTEM. For each employment system, the average monthly employee costs, multiplied by the funded spaces, equals the total monthly employee costs.
- e. DETERMINE THE COMPONENT'S PERCENTAGE OF USFJ'S TOTAL MONTHLY COSTS, BY EMPLOYMENT SYSTEM. For each employment system, the component's average monthly costs, divided by the average monthly costs of all employment systems for all USFJ, equals the component's percentage of USFJ'S total monthly costs.
- f. DETERMINE THE COMPONENT'S ALLOCATION OF LCS FUNDING FOR EACH EMPLOYMENT SYSTEM. Total USFJ LCS funds, minus USFJ-wide projected retirement costs, multiplied by the component's employment system percentages of total USFJ monthly costs, equals the component's allocation of LCS funding for each employment system.
- g. DETERMINE THE COMPONENT'S TOTAL LCS FUNDING FOR ALL EMPLOYMENT SYSTEMS. The component's LCS allocations for MLC, plus IHA, plus MC, equals the component's total LCS allocation.



ATTACHMENT 2-1

\*\*\*\*\* SAMPLE \*\*\*\*\*

Determining Actual Average Monthly Cost Per Employee Based on Previous JFY DFAA Cost Reports										
Ref: (a) Table of Budget Execution Status by Service on Wages Under SMA for JFY XX (Col B)										
(b) DFAA End of JFY XX Report of Costs to be borne by US Side (Summary) (Col C)										
(c) JFY XX Retirement Allowance Under LCS SMA (Col E & F)										
A	B	C	D	E	F	G	H	I	J	K
			Subtotal				Total SMA	JFY XX	Average	Average
	JFY XX		(Total	JFY XX	JFY XX	Subtotal	Costs	Ave Nr	Annual Cost	Monthly
	Budget	JFY XX	JFY XX	Ret. Allow.	Ret. Allow.	(Total Ret.	less Ret.	of	per	Cost per
Component	Execution	Shortfall	SMA Costs)	SMA Paid	Shortfall	All. Paid)	Allowance	Employees	Employee	Employee
USARJ										
MC	92,428,193	3,709,126	96,137,319	15,173,433	0	15,173,433	80,963,886	12.00	6,746,990.50	562,249.21
MLC	18,635,617,364	828,850,666	19,464,468,030	1,573,220,363	63,036,734	1,636,257,097	17,828,210,933	3,546.83	5,026,519.72	418,876.64
IHA	1,331,938,462	18,440,126	1,350,378,588	35,058,555	1,169,940	36,228,495	1,314,150,093	344.75	3,811,892.95	317,657.75
TOTAL	20,059,984,019	850,999,918	20,910,983,937	1,623,452,351	64,206,674	1,687,659,025	19,223,324,912	3,903.58		
CNFJ										
MLC	37,989,180,355	1,794,271,001	39,783,451,356	1,452,001,549	88,107,175	1,540,108,724	38,243,342,632	6,834.00	5,596,040.77	466,336.73
IHA	5,272,297,274	85,261,244	5,357,558,518	105,688,306	6,087,818	111,776,124	5,245,782,394	1,390.58	3,772,370.09	314,364.17
TOTAL	43,261,477,629	1,879,532,245	45,141,009,874	1,557,689,855	94,194,993	1,651,884,848	43,489,125,026	8,224.58		
SAF										
MLC	23,929,281,454	992,412,324	24,921,693,778	2,279,240,694	75,774,526	2,355,015,220	22,566,678,558	4,756.08	4,744,806.34	395,400.53
IHA	11,692,142,107	402,096,139	12,094,238,246	747,222,784	19,588,977	766,811,761	11,327,426,485	2,952.75	3,836,229.44	319,685.79
TOTAL	35,621,423,561	1,394,508,463	37,015,932,024	3,026,463,478	95,363,503	3,121,826,981	33,894,105,043	7,708.83		
CMFJ										
MLC	16,254,621,328	607,355,273	16,861,976,601	2,269,756,594	17,556,360	2,287,312,954	14,574,663,647	2,913.17	5,003,025.45	416,918.79
IHA	3,311,778,463	127,594,131	3,439,372,594	151,756,668	9,899,257	161,655,925	3,277,716,669	876.08	3,741,344.02	311,778.67
TOTAL	19,566,399,791	734,949,404	20,301,349,195	2,421,513,262	27,455,617	2,448,968,879	17,852,380,316	3,789.25		
USFJ										
MC	92,428,193	3,709,126	96,137,319	15,173,433	0	15,173,433	80,963,886	12.00	6,746,990.50	562,249.21
MLC	96,808,700,501	4,222,889,264	101,031,589,765	7,574,219,200	244,474,795	7,818,693,995	93,212,895,770	18,050.08	5,164,126.46	430,343.87
IHA	21,608,156,306	633,391,640	22,241,547,946	1,039,726,313	36,745,992	1,076,472,305	21,165,075,641	5,564.16	3,803,822.26	316,985.19
TOTAL	118,509,285,000	4,859,990,030	123,369,275,030	8,629,118,946	281,220,787	8,910,339,733	114,458,935,297	23,626.24	4,844,568.38	403,714.03

ATTACHMENT 2-2

\*\*\*\*\* SAMPLE \*\*\*\*\*

JFY XX LCS Funds Distribution Using Actual Previous JFY Average Monthly Costs							
(Total ¥117,407,395,000 IAW DFAA (date) Letter - ¥7,243,000,000 Est. Retirement Allowance)							
	Previous	Percent of	Proportional	Average	Total	Percent of Total	Allocations
	JFY Avg	Employment	Adjustment to	Monthly	Average	Monthly Cost =	of Informed
	No. of	System	Funded	Cost per	Monthly	Percent of SMA	Amount
Component	Employees	by Service	Ceiling	Employee	Cost	Informed Amount	(to nearest ¥1)
USARJ							
MC	12.00	0.307410120965883	11.56476875074	562,249	6,502,282.07	0.071268233091726	78,512,217.813
MLC	3,546.83	90.860953278785100	3,418.18906234790	418,877	1,431,799,560.27	15.693232565214200	17,288,354,711.411
IHA	344.75	8.831636600249000	332.24616890137	317,658	105,540,568.95	1.156776925769560	1,274,356,301.774
TOTAL	3,903.58	100	3,762		1,543,842,411.30	16.921277724075500	18,641,223,230.998
							18,641,223,231
CNFJ							
MLC	6,834.00	83.09238891228060	6,565.12964795771000	466,337	3,061,561,098.31	33.556226486907600	36,967,013,894.132
IHA	1,390.58	16.90761108773940	1,335.87035204229000	314,364	419,949,779.55	4.602857647877380	5,070,710,280.495
TOTAL	8,224.58	100	7,901		3,481,510,877.86	38.159084134785000	42,037,724,174.627
							42,037,724,175
CMFJ							
MLC	2,913.17	76.879857491588000	2,852.24271293792	416,919	1,189,153,573.27	13.033712328825600	14,358,510,333.091
IHA	876.08	23.120142508412000	857.75728706208	311,779	267,430,424.71	2.931169953135490	3,229,105,645.294
TOTAL	3,789.25	100	3,710		1,456,583,997.98	15.964882281961100	17,587,615,978.385
							17,587,615,978
SAF							
MLC	4,756.08	61.696522040309600	4,448.31923910632	395,401	1,758,867,778.93	19.278062287542000	21,237,560,686.794
IHA	2,952.75	38.303477959690400	2,761.68076089368	319,686	882,870,087.04	9.676693571636380	10,660,270,929.197
TOTAL	7,708.83	100	7,210		2,641,737,865.97	28.954755859178400	31,897,831,615.991
							31,897,831,616
USFJ							
MC	12.00	0.050790984938780	11.47012812872		6,502,282.07	0.071268233091726	78,512,217.813
MLC	18,050.08	76.398445118647700	17253.06086114420		7,441,382,010.79	81.561233668489500	89,851,439,625.428
IHA	5,564.16	23.550763896413500	5318.46901072706		1,675,790,860.26	18.367498098418800	20,234,443,156.760
TOTAL	23,626.24	100	22583.00		9,123,675,153.12	100	110,164,395,000
							110,164,395,000
Informed Amount		117,407,395,000					
Minus Est. Retirement Allow.		7,243,000,000					
Balance		110,164,395,000					

ATTACHMENT 3

	A	B	C	D	E	F
1						
2	***** S A M P L E *****					
3	JFY 20XX IHA CAP APPORTIONMENT					
4	(TOTAL ¥0000000 IAW DFAA XXXXXXXX Letter)					
5						
6	Component	Component Portion of IHA Cap	Avg Monthly Cost per IHA Employee	Total Average Monthly Cost	Percent of Total IHA Monthly Costs	Apportionment of IHA Cap Amount
7						
8						
9						
10	USARJ					
11	IHA	364	258,542	94,109,288	7.31497447449455%	1,252,968,131
12						
13	CNFJ					
14	IHA	1,320	246,837	325,824,840	25.3258784378038%	4,338,021,778
15						
16	CMFJ					
17	IHA	877	228,188	200,120,876	15.5550969608174%	2,664,403,114
18						
19	5AF					
20	IHA	2,706	246,295	666,474,270	51.8040501268842%	8,873,417,685
21						
22	USFJ					
23	TOTAL	5,267		1,286,529,274	100%	17,128,810,708
24						
25						
26	Column B = Component portions of IHA cap (5,267)					
27	Column C = Average monthly IHA employee cost (Based on previous JFY actual costs)					
28	Column D = Component portion of IHA cap (Col B) X average monthly costs (Col C)					
29	Column E = Each component's percentage of the total monthly cost					
30	Column F = Each component's apportionment of the IHA Cap Amount (Col E X F23 in turn)					
31	Block F23 = JFY IHA Cap Amount as provided by DFAA					

**ATTACHMENT 4**

**BASIC WAGE OFFSET PAYMENT CATEGORIES**

1. Base pay
2. Overtime pay
3. Holiday pay
4. Night differential
5. Daily wage of daily employees
6. Special term employee's salary
7. Hourly pay for hourly paid temporary employees
8. Theater personnel wage
9. Discharge allowance
10. Remote area allowance
11. Special work allowance
12. Cold area allowance
13. Pro rata bonus for employees affected by RIF
14. Position conversion allowance
15. Night duty allowance
16. Unaccompanied duty allowance
17. Additional schedule pay
18. Premium pay for hourly pay temporary employees
19. Non-work allowance
20. Daily pay for duty-connected illness/injury for hourly paid temporary employees

**ATTACHMENT 5**

NAFI REPORTING CENTERS

RESPONSIBLE FOR

CONSOLIDATING DATA AND SUBMITTING ANNUAL SMA NAFI REPORTS

Commander, AAFES-PACRIM

OIC, Navy Exchange, Japan Complex

Commander Marine Corps Bases, Japan/MWR

Commander Naval Forces, Japan/Code N47

United States Army, Japan/DCSPER

Fifth Air Force - Services

New Sanno Hotel

Pacific Stars and Stripes

## ATTACHMENT 6

### Narrative Description of SMA NAFI Report Format and Requirements

- 1a. Total amount of resources
  - Includes: "NAFI Income" (sales, dividends and fees)
    - APF direct support (as of end of prior USFY)
    - Carry-over from previous JFY (non-GOJ funds carried over)
  - Centers should provide a breakout of the total amount in these 3 categories to USFJ
- 1b. Operating Expenses
  - Each component defines items of expense and provides list to J14
  - Epecially identify separately the amount of payments to higher headquarters
  - DO NOT include in this item any expenses which can be included in one of the reporting categories in part 2b(1)-(11) below. These should be reported in the appropriate category by including them in the bottom half total. For example, maintenance, IHA employee costs not paid by GOJ or from BWO funds, other employee costs, equipment, etc.
- 1c. Balance (1a minus 1b)
- 2a. Support to Article XV organizations outside Japan - **None**
- 2b. GOJ funds
  - All BWO funds generated in the JFY being reported **PLUS** any BWO funds balance carried over from last year; ***note the amount of carryover in the remarks column.***
- 2b(1)-(11). Report of BWO funds (top half) and any portion of balance from 1c expended in BWO usage categories. BWO funds only are reported in top half. The total of BWO (top half) and 1c funds spent are reported in the bottom half.
- [NOTE:** Those reporting centers which formerly used the "MWR" BWO usage category (AAFES and NEX) should now include BWO "MWR" expenditures in 2b(4) top half and note the specific amount in the "Remarks" column. Continue to provide separate detailed reports to USFJ/J14 in accordance with USFJINST 34-201.]
- 2b(12). Report BWO funds not expended in the JFY which were carried forward to next JFY [i.e., = 2b minus total of 2(1)-(11) top-half]
- 2c. Report 1c funds not expended in the JFY which were carried forward to next JFY [i.e., = 1c minus (total of 2(1)-(11) bottom-half minus total of 2(1)-(11) top-half)]
3. Report specific examples of BWO and 1c funds usage in the usage categories by component, installation, description of usage, and amount.
  - Report BWO funds in lines with parentheses in top half. Add additional lines within categories as needed to provide sufficient examples to total overall 75% or more of BWO funds for the JFY.
  - Report 1c funds in lines without parentheses in bottom half
  - Report total usage within each category showing BWO total on 1<sup>st</sup> line of "Total", and BWO total + 1c funds usage total on 2<sup>nd</sup> line of Total

- Report total BWO usage on 1<sup>st</sup> line of "Totals" and BWO + 1c funds usage on "Entire" line of "Totals"

4(a). Report on intended use of BWO funds which were not expended in the JFY being reported and carried forward into next JFY (i.e., amount in 2b(12)). Provide examples of intended usage by component, installation, description of intended usage, and amount.

4(b). Report on intended use of 1c funds which were not expended in the JFY reported and carried forward to next JFY (i.e., amount in 2c). Provide examples of intended usage by component, installation, description of intended usage, and amount.

ATTACHMENT 6-1

JFY \_\_\_\_ REPORT OF BALANCE CONCERNING ARTICLE XV ORGANIZATIONS

1. Specification of Resources and Expenditures		(Unit: Thousand Yen)
Classification	Amount	Remarks
a. Total Amount of Resources		NAFI Income, APF support, Carry-over from previous JFY
b. Operating Expenses		
c. Balance (a - b)	0	

2. Utilization/Application/Expenditure of Balance (1c) and BWO		
Classification	Amount	Remarks
a. Support to Article XV Organizations outside Japan	0	
b. GOJ's Labor Cost Bearing for Wages		
(1) Repair, maintenance, or improvement of facilities	0	
(2) Improve or replace existing equipment	0	
(3) Reduce fees for goods or services	0	
(4) Expansion of service/programs	0	
(5) Off-set cost of Yen-based goods/services	0	
(6) Subsidize losses in marginal activities	0	
(7) Deferred price increases	0	
(8) Offset cost of local contract services	0	
(9) Child care and youth activities	0	
(10) Training of IHA employee	0	
(11) Unfunded labor	0	
(12) Internal reserve (carry-over to the following JFY)	0	
c. Internal reserve (carry-over to the following JFY, other than b(12), above)	0	



3. Examples of Utilization of GOJ Labor Cost Sharing Funds (other than internal reserve, carry-over to following JFY)

(Unit: Thousand Yen)

Usage Categories	Service	Facility	Specific Examples of Spending	Amount	Remarks
(1) Repair, maintenance, or improvement of facilities					
(a)					
(b)					
a					
b					
Total					
(2) Improve or replace existing equipment					
(a)					
(b)					
a					
b					
Total					
(3) Reduce fees for goods or services					
(a)					
(b)					
a					
b					
Total					
(4) Expansion of service/programs					
(a)					
(b)					
a					
b					
Total					
(5) Off-set cost of Yen-based goods/services					
(a)					
(b)					
a					
b					
Total					
(6) Subsidize losses in marginal activities					
(a)					
(b)					
a					
b					
Total					
(7) Deferred price increases					
(a)					
(b)					
a					
b					
Total					
(8) Offset cost of local contract services					
(a)					
(b)					
a					
b					
Total					



ATTACHMENT 7

USFJ Projected Employment Report (Sample Report)

JFY 03 USFJ Employment Plan

Service Component: 5 AF  
On Board Strength (as of 1 Mar 02): 8,000  
Projected Increase: 40  
Projected Decrease: 8  
Projected Employment Level for JFY 03: 8,032

Increase:

Location	Contracts/ Agreement	Activity	Type of Employment	Job Number	Job Title	Number of Employees	Remarks	
Yokota	MLC	5 AF/DPC DFAS-J	Permanent	0198	Secretary	1	B	
				0007	Accounting Tech	6	B	
		374 CS/SCMDA		0254	Budget Tech	5	B	
				0217	Telephone Opr	4	B	
	IHA	Enlisted Club	Permanent	2143	Waiter/Waitress	10	B	
Misawa	MLC	35 CES/CEH	Permanent	0010	Admin Spec	1	A	
			LTE	2167	Maint Handyman	5	C	
Kadena	MLC	18 MSS/DPC	Permanent	0607	Personnel Clerk	3	A	
			LTE	0075	File Clerk	5	C	
TOTAL						40		

Decrease

Location	Contracts/ Agreement	Activity	Type of Employment	Job Number	Job Title	Number of Employees	Remarks
Yokota	MLC	374 TRNS/LGTO	Permanent	0429	Cargo Spec	1	D
		374 SPTG/SVMG		0110	Librarian	3	E
	IHA	Officers' Club	Permanent	2012	Baker	1	E
				2037	Cook	3	D
TOTAL						8	

Remarks:  
A - New mission  
B - Increased workload  
C - Temporary mission requirement  
D - Reorganization/Streamlining  
E - Mission reduction  
F - Others